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CHARTERED SURVEYORS
PROPERTY & FIXED CHARGE RECEIVERS

VALUATION REPORT



FS 79502



Valuation Report

42 Hoxton Square, London N1 6PB

Prepared on behalf of Proplend Security Limited

20 April 2023

Contact details

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Inspection & Valuation Date: 06/04/2023

Executive Summary



Front Elevation

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, exclusions and bases of valuation stated herein and should not be read in isolation.

Address	42 Hoxton Square, London, N1 6PB	
Property Type	Ground and lower ground floor office space forming part of a mixed-use terrace building.	
Market Rent	Office £75,000 pa	
Market Value (Vacant Possession)	£1,450,000 (One Million, Four Hundred and Fifty Thousand Pounds)	
Market Value (Restricted – 90 Days)	£1,300,000 (One Million, Three Hundred Thousand Pounds)	
Building Reinstatement	£635,000 (Six Hundred and Thirty-Five Thousand Pounds)	
Liquidity	Office Lettings:	9-12 months <i>(assuming the property is competitively priced)</i>
	Sales:	6-9 months <i>(assuming the property is competitively priced)</i>

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- Appendix 1 - Energy Performance Certificate (EPC)
- Appendix 2 - Instruction Documentation / General Terms of Business
- Appendix 3 - Standard Limitations & Assumptions
- Appendix 4 - Market Commentary & Economic Overview

1. Instructions

Instructions	1.1	We refer to your instruction letter received 03/04/2023 and to our subsequent acceptance thereof, to provide a valuation report on 42 Hoxton Square, London, N1 6PB ("the property"). Copies of these documents are attached at Appendix 2 .
	1.2	This valuation has been carried out in accordance with your instruction letter, the 'model conditions of engagement between the lender and valuer' as set out in the RICS Valuation – Global Standards January 2022 Global Edition ('The Red Book') and our General Terms of Business for Valuations ("General Terms of Business").
Client	1.3	Our client for this instruction is Proplend Security Limited ("the Client").
Your Customer	1.4	We understand that your customer is Russell & Dawn Chopp ("the Customer").
Valuation Standards	1.5	The Valuation has been undertaken in accordance with the RICS Valuation – Global Standards January 2022 Global Edition ('The Red Book').
Purpose of Valuation	1.6	Secured lending purposes (sale). Marketed by Susskind. We have been advised that the agreed purchase price is £1,635,000.
Conflicts of Interest	1.7	In preparing this report, we confirm that we are acting as External Valuers and we are not aware of any conflict of interest in this respect.
Professional Indemnity	1.8	We confirm that we hold adequate Professional Indemnity Insurance cover in order to provide this valuation. We further confirm that Bellevue Mortlakes have had no historic claims.
Third Party Reliance	1.9	This report has been prepared on behalf of our Client and no responsibility is accepted to any third party.
Disclosure & Publication	1.10	Neither the whole nor any part of this valuation report, nor any reference thereto may be included in a published document, circular or statement, nor published in any way without the prior written approval of Bellevue Mortlakes of the form or context in which it may appear.
	1.11	This Report is for the use of the party to whom it is addressed and should only be used within the context of the instructions under which it is prepared and these assumptions. It may be disclosed to other professional advisers assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of its contents.
Valuation Date	1.12	An inspection of the property was undertaken on 06/04/2023, hereon referred to as the date of valuation.
Expertise	1.13	This report has been prepared by Hinesh Varsani BA (Hons) PGDip MScSurv MRICS FNARA RPR MABRP and Alex Oblikovs MSc (Hons) MRICS who are RICS Registered Valuers. We also confirm that the individual carrying out this valuation has the appropriate knowledge, skills and experience to undertake the valuation competently.
Mandating	1.14	The report and valuation has been mandated as part of Bellevue Mortlakes quality assurance procedures.

Valuation Bases	1.15	The RICS definitions of Market Value and Market Rent are contained within our General Terms of Business. In accordance with your instructions, we have provided opinions of the value on the following bases:-
Market Value (MV)	1.16	The Market Value in its current condition, with vacant possession.
Special Assumption (1)	1.17	The Market Value in its current condition, with vacant possession, assuming a marketing period restricted to 90 days.
Market Rent (MR)	1.18	The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.
Readers Guidance Notes	1.19	Clients should note that this valuation report should not be relied upon in isolation and should be read in conjunction with our Standard Limitations & Assumptions, copies of which are attached at Appendix 3 .
	1.20	Factual information contained within this report has been summarised, the context of each element will not be fully understood, unless it is read in conjunction with our Standard Limitations & Assumptions, which provides detailed commentary and explanation of each element of this report.
	1.21	The Standard Limitations & Assumptions set out our assumptions, restrictions, limitations and exclusions.

2. The Property

Situation / Location	<p>2.1 The subject property is located along the southern side off Hoxton Square, close to its junction with Hoxton Street, within Shoreditch (London Borough of Hackney); a typical high density inner London district situated just north of the City of London and approximately three miles east of the West End/Oxford Street.</p> <p>2.2 The area is home to a diverse range of media and creative businesses and also benefits from reasonably good demand from both the rental and vacant possession sectors due to being situated on the fringe of the "Square Mile" (Financial district of Central London) and within close proximity to the Central London employment markets and good infrastructure links.</p> <p>2.3 The immediate vicinity comprises office and retail occupiers, together with bars/restaurants and medium to high density private residential accommodation. Comprehensive retailing and leisure facilities including local and national multiples can be found nearby along Shoreditch High Street (A10) and within London's West End.</p> <p>2.4 Away from the commercial areas, the surrounding locality represents a "medium to high value" residential district, comprising properties of varying style and character, many of which have been the subject of flat conversion schemes targeted at the middle level income groups.</p> <p>2.5 Key road communication links include City Road (A501), which to the west provides links to the West End / Oxford Street / A40. Shoreditch Road (A10) to the north provides links to north London suburbs. The nearby A13 to the east provides links to Canary Warf / Docklands.</p> <p>2.6 Hoxton and Shoreditch High Street London Overground Stations are both located nearby. Numerous bus routes serve the surrounding area.</p> <p>2.7 A location map can also be found within Section 8.</p>
Description	<p>2.8 The subject property comprises the leasehold interest in two office suites, situated on the ground and lower ground floors of a five/six storey middle of terrace building. We understand that the upper parts comprise of three self-contained flats which are sold on separate long leasehold interest and do not form part of this valuation. The building is judged to have been constructed circa 1900s.</p> <p>2.9 Each floor has self-contained access to the front of the building.</p> <p>2.10 As at the date of inspection both of the floors were vacant.</p>
Construction Details	<p>2.11 The main walls of the subject property are assumed to be of solid brickwork construction, with rendered elevations, beneath an assumed flat roof. There no views of the roofs owing to the height and configuration of the building.</p> <p>2.12 Floors throughout the building are of a mixture of solid concrete and suspended timber construction.</p> <p>2.13 Natural lighting and ventilation is provided by timber framed plate glass shop frontages, double glazed timber framed windows to the ground floor rear and a single glazed timber framed lean to roof to the rear of the lower ground floor.</p>

General Repair & Condition	2.14	Internally, the property has been refurbished to a good standard throughout. Externally, items of disrepair were noted; however, these defects are consistent for a property of this age and type and should prove capable of remedy by routine maintenance. We had no view of the rear of the building and therefore are only able to comment on those parts seen from the rear window.										
General Remarks	2.15	N/A										
Significant Issues	2.16	Overall, for loan security purpose, no significant defects or items requiring urgent attention were noted which would be likely to require a retention or be the subject of a condition of the mortgage advance.										
Economic Life	2.17	Subject to regular maintenance and decoration it is anticipated that the building will retain a useful economic life of at least twenty-five years.										
Services	2.18	It would appear from our inspection that mains supplies of electricity and water are provided to the property. Soil drainage is believed to be discharged to the public sewer.										
Accommodation	2.19	<p>Retail Accommodation:</p> <table border="1"> <tr> <td data-bbox="427 869 738 902">Ground Floor</td> <td data-bbox="754 869 1485 936">Open plan office accommodation, storage cupboard, kitchenette and a separate W.C.</td> </tr> <tr> <td data-bbox="427 947 738 981">Net Internal Area</td> <td data-bbox="754 947 1026 981">91.50 sq m (985 sq ft)</td> </tr> <tr> <td data-bbox="427 992 738 1025">Lower Ground Floor</td> <td data-bbox="754 992 1485 1093">Open plan office accommodation, storage cupboard and a separate W.C. Relatively good natural light, mains supply of gas and electricity, floor to ceiling height of 2.50 meters.</td> </tr> <tr> <td data-bbox="427 1104 738 1137">Net Internal Area</td> <td data-bbox="754 1104 1058 1137">116.00 sq m (1,249 sq ft)</td> </tr> <tr> <td data-bbox="427 1149 738 1182">External</td> <td data-bbox="754 1149 962 1182">No outside space.</td> </tr> </table>	Ground Floor	Open plan office accommodation, storage cupboard, kitchenette and a separate W.C.	Net Internal Area	91.50 sq m (985 sq ft)	Lower Ground Floor	Open plan office accommodation, storage cupboard and a separate W.C. Relatively good natural light, mains supply of gas and electricity, floor to ceiling height of 2.50 meters.	Net Internal Area	116.00 sq m (1,249 sq ft)	External	No outside space.
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Net Internal Area	116.00 sq m (1,249 sq ft)											
External	No outside space.											

3. Tenure & Tenancies

Tenure	3.1	The Office Copy provides the following information:	
	3.2	Title No.	EGL520994
	3.3	Tenure	Leasehold
	3.4	Leasehold Term Unexpired (Years)	Approximately 982 years unexpired
	3.5	Proprietor	Russell Michael Chopp and Dawn Elizabeth Chopp
	3.6	Price / Date	12 th February 2007 / £672,000
	3.7	Lenders Security/Demise	A Land Registry title plan can be found within Section 10 .

Tenancies	3.8	The property was vacant and has therefore been valued on a vacant possession basis. We note within the schedule of lease, a 15 year lease granted 25 th March 2017 of the subject property. Our valuation on a vacant possession basis assumes that this lease has been determined or otherwise extinguished. We are aware that HMLR take a long time to update records. Legal advisers to confirm.	
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4. Statutory & Legal Matters

Planning Enquiries	4.1	We have made informal enquiries with the Local Planning Authority responsible for this area, via their website.										
Use Class	4.2	E – Commercial, business & services										
Planning History	4.3	<table border="1"> <thead> <tr> <th>Ref. No.</th> <th>Description</th> <th>Decision & Date</th> </tr> </thead> <tbody> <tr> <td>2004/1125</td> <td>“Change of use of basement and ground floor (220sqm) to offices (Class B1), first, second, third and new fourth floors to 3 x 2 bedroom maisonettes together with erection of first floor side infill extension, new second floor level and third floor extension to the rear and new fourth floor level to the front plus alterations to ground floor front elevation.”</td> <td>Granted 21.07.04</td> </tr> <tr> <td>2006/3184</td> <td>“Change of use of ground floor and basement from existing vacant office (B1) to mixed-use retail (A1), office (B1) and live showcase/gallery (D1).”</td> <td>Refuse 16.01.07</td> </tr> </tbody> </table>		Ref. No.	Description	Decision & Date	2004/1125	“Change of use of basement and ground floor (220sqm) to offices (Class B1), first, second, third and new fourth floors to 3 x 2 bedroom maisonettes together with erection of first floor side infill extension, new second floor level and third floor extension to the rear and new fourth floor level to the front plus alterations to ground floor front elevation.”	Granted 21.07.04	2006/3184	“Change of use of ground floor and basement from existing vacant office (B1) to mixed-use retail (A1), office (B1) and live showcase/gallery (D1).”	Refuse 16.01.07
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Significant Matters	4.4	N/A										
Planning Restrictions	4.5	The property is not listed as a building of historical or architectural importance although it is situated within the South Shoreditch conservation area. Therefore, special planning controls may apply.										
Highways	4.6	Adopted										
Service Roads / Communal Areas	4.7	No										
Rateable Value	4.8	Lower Ground and Ground Floor:	£51,000 - offices and premises									
Energy Performance Certificate (EPC)	4.9	<p>The property has a current EPC within Band D. From 2025 all newly rented properties, unless exempt, will be required to have an EPC to a minimum of Band C. This applies to existing tenancies, unless exempt, with effect from 2028. Our valuations are prepared on the assumption that the property will meet the revised MEES requirements in this regard. – Residential</p> <p>The Energy Efficiency Regulations March 2015 made it unlawful for a landlord to grant a new tenancy/lease of a property that has an EPC Rating below “E” from 1st April 2018 unless the property is exempt. From 1st April 2023 this provision applies to all commercial tenancies both new and existing. – COMMERCIAL MUST HAVE RATING OF E at least.</p> <p>A copy of the EPC Report can be found within Appendix 1.</p>										

5. Environmental Considerations

Flooding Risks	5.1	Risk of Flooding From Rivers & Sea	Very Low
		Risk of Flooding From Reservoirs	Very Low
		Risk of Flooding From Surface Water	Medium
Contamination	5.2	From our basic enquiries and from our inspection of the property and its surroundings, we have no reason to believe that contamination is present.	
Plant Life	5.3	At the time of inspection no obvious evidence of any harmful vegetation was found on the site.	
Radon	5.4	The property is in a part of the country where there is a very low likelihood of radon posing a potential risk to health.	

6. Comparable Evidence & Market Analysis

Office Lettings

The property transactions listed below were agreed and occurred, within more buoyant market conditions, prior to the announcement of the 23rd September 2022 mini-budget.

Address	Description	Letting Terms	Tenant	Rent Per Annum	Rent £ per sq ft	Date of Transaction	Comments
18 Coronet St London, N1 6ND	'E' Use Class – 546 sq ft	New 3-year FRI lease, with no rent reviews or options to break.	Kyko Limited	£16,500	£30.22	December 2022	Smaller unit situated in the same trading location.
10 Chapel Place London	'E' Use Class – 832 sq ft	New 2-year FRI lease, with no rent reviews or options to break.	Local LTD	£32,000	£38.46	November 2022	Smaller unit situated in the same trading location.
43 Coronet Street, N1 6HD	'E' Use Class – 838 sq ft	New 5-year FRI lease, with no rent reviews or options to break.	Incasting Production Ltd	£31,500	£37.60	October 2022	Smaller unit situated in the same trading location.
Unit 4, 2-4 Hoxton Sq - Lux Building London, N1 6NU	'E' Use Class – 2,060 sq ft	New 5-year FRI lease, with no rent reviews or options to break.	Nicholas Hare Architects LLP	£87,550	£42.50	September 2022	Similar size unit situated in the same trading location.

Address	Description	Letting Terms	Tenant	Rent Per Annum	Rent £ per sq ft	Date of Transaction	Comments
Unit 5, 2-4 Hoxton Sq - Lux Building London, N1 6NU	'E' Use Class – 3,230 sq ft	New 5-year FRI lease, with no rent reviews or options to break.	Komodo Media Limited	£114,923	£35.58	December 2021	Larger unit situated in the same trading location.
5-6 Hoxton Sq London, N1 6NU	'E' Use Class – 950 sq ft	New 5-year FRI lease, with no rent reviews or options to break.	Bureau de Change Design Office	£29,431	£30.98	December 2021	Smaller unit situated in the same trading location.

Investment Sales

The property transactions listed below were agreed and occurred, within more buoyant market conditions, prior to the announcement of the 23rd September 2022 mini-budget.

Address	Description	Sold price	Initial / Reversionary Yields	Date of Transaction	Comments
Unit 4, 1-3 Tanners Yard, E2 6QB	A long leasehold interest in a ground floor office unit, measuring approximately 1,194 sq ft	£435,000	£364 per sq ft	December 2022	Smaller property in inferior condition situated within an inferior trading location.
Unit 19, Waterside, 44-48 Wharf Road, N1 7UX	A long leasehold interest in a second-floor office unit, measuring approximately 1,980 sq ft.	£850,000	£429 per sq ft	April 2021	Smaller property in comparable condition situated in slightly inferior trading location.
59 Carter Lane, EC4V 5AQ	A freehold interest in a three-storey office building, measuring approximately 3,401 sq ft	£2,100,000	£617 per sq ft	September 2022	Larger property in comparable condition situated in superior trading location. Owing to quantum, properties of a larger size will achieve a lower £ per sq ft.
245 Pentonville Road, N1 9NG	The freehold interest in a four storey, end of terrace building, measuring approximately 1,121 sq ft, arranged as ground and lower ground floor dental surgery, together with ancillary storage accommodation to the upper parts. The entire building is let a private individual by way of a twenty-year lease from 12 th April 2006, subject to five yearly rent reviews at a passing rent of £32,500 per annum.	£720,000	4.17% / £642.28 psf	February 2021	We consider this location to be to be broadly similar. The rent was due for review which was artificially hardening the yield. This property is also said to have development potential.

Market Commentary	6.1 In arriving at our Market Value / Market Rent we have, where possible, analysed the latest transactional evidence available. When considering our reported values we have also relied upon a greater degree of judgement having regard to current market sentiment. An excerpt from a recent RICS Property Market Survey is included at Appendix 4.
Overview of Current Market Conditions	6.2 The Chancellor of the Exchequer, Jeremy Hunt, presented his 2023 Spring Budget to Parliament on 15 March and published documents with further details. Once the Chancellor finished his statement, the Office for Budget Responsibility (OBR) published updated forecasts in its economic and fiscal outlook. A summary of the points we consider relevant to the property market is included below. <p>As the Library briefing Background to Spring Budget 2023 explains, UK economic growth has been weak. High inflation has hit confidence and squeezed budgets, constraining the ability of households and businesses to spend. There are signs, however, that the economy is proving slightly more resilient than anticipated.</p> <p>The OBR says that developments since its November forecasts have been largely positive, if modest, but notes there are still significant structural challenges.</p> <p>The improvements in the forecasts for the economy have led to improvements in the public finances – the OBR describe the outlook as “somewhat brighter”.</p> <p>The Budget Speech</p> <p>In his speech, the Chancellor said the Budget will tackle the UK’s productivity issues including having lower business investment and higher economic inactivity than other similar countries. He described it as a “Budget for growth”. The Chancellor focused on the four pillars of his industrial strategy:</p> <ul style="list-style-type: none"> • Enterprise – supporting business • Employment – encouraging more people into work • Education – providing people with skills • Everywhere – growth across the UK. <p>Government Spending</p> <p><u>Childcare</u></p> <p>Free childcare will be available for many working families with children aged nine months or older in England. This is an extension of the 30- hours a week of free childcare currently available to many working families with three and four year olds. This extension will be rolled out in stages:</p> <ul style="list-style-type: none"> – 15-hours a week of free childcare for children aged two from April 2024 – 15-hours a week of free childcare for children aged nine months up to two years from September 2024 – 30-hours a week of free childcare for all of these children from September 2025 <p>Eligibility will be same as for the current offer for free childcare for three and four year olds – the Library briefing Help with childcare costs (England) has more details. This extension is expected to cost £4.1 billion by 2027/28.</p> <ul style="list-style-type: none"> • The hourly amount paid to providers of free childcare will be increased in England from 2023/24, paid from September 2023. • Staff-to-child ratios will change from 1:4 to 1:5 for two year olds in England.

- A 'wraparound' childcare scheme will be introduced for primary-school aged children, aimed at providing care for all children from 8am to 6pm in England. Funding is being provided to local authorities for a 'pathfinder' scheme starting in September 2024, with the potential for a national roll out in 2024/25 and 2025/26.
- Universal Credit childcare support will be paid upfront when parents move into work or increase their working hours. Currently parents need to claim this support in arrears.
- The cap on Universal Credit childcare support will be increased.

Further information on changes to childcare are available in the Government's Spring Budget 2023 factsheet – Labour Market Measures.

Benefits

Work coach support will be extended to more people who are long-term sick and disabled. This includes optional support for people with limited capability for work and work-related activity who do not currently see work coaches. Work coaches work with people giving them advice, coaching and support to help them secure a job.

People claiming Universal Credit will be required to agree to and meet intensive work-related conditions as part of their claim, by increasing the amount they need to earn before they have more "light touch" requirements. This includes:

- increasing this amount, the Administrative Earnings Threshold, from 15 to 18 hours a week at the National Living wage; and
- removing the amount set for couples, so both members of a couple have to earn up to the threshold before they have more "light touch" work requirements.

Work search requirements for lead carers of children who are on Universal Credit will be expanded, expecting them to look for work or increase their working hours, with additional work coach support.

The application of sanctions for claimants who do not meet conditions agreed to as part of their claim will be strengthened by providing further training for Jobcentre work coaches and automating administrative elements of the sanctions process.

WorkWell services will be piloted in England. These will be integrated work and health hubs, linking Jobcentres, health services and other local organisations to provide support.

A Transforming Support: The Health and Disability White Paper was also published alongside the Budget. This provides further details of plans for disability employment support announced in the Budget.¹ It includes proposals to:

- Reduce the number of health and disability assessments by removing the Work Capability Assessment (WCA). In place of the WCA, Universal Credit claimants will be eligible to receive a new health element (which will replace the limited capability for work and work-related activity element) if they also receive any element of Personal Independence Payment (PIP).
- Create a new personalised approach to deciding work-related conditionality and employment support for sick and disabled people who claim Universal Credit.

- Separate benefit entitlement from ability to work, so disabled people who claim benefits will be able to work without losing financial support for their disability.

For further information, see the Government's Spring Budget 2023 factsheet – Disability White Paper and the Spring Budget 2023 factsheet – Labour Market Measures. For background see the Library briefing Disability benefits assessments and the Government's health and disability green paper.

Other Policies to get People into Work

- A new employment programme for disabled people, Universal Support, in England and Wales. This will match people who want to work with vacancies, as well as funding training and workplace support.
- Funding in England for digital help, for example through apps – for mental health, musculoskeletal and cardiovascular conditions.
- Expanding current skills programmes focussing on support for people aged over 50 ("returnerships") – supported by additional Skills Bootcamps places in England and Sector-Based Work Academy Programme placements in England and Scotland. For further information, see the Government's Spring Budget 2023 factsheet – Disability White Paper and the Spring Budget 2023 factsheet – Labour Market Measures.

Energy

- The planned increase in the Energy Price Guarantee (EPG) is being delayed. The increase from £2,500 per year to the planned level of £3,000 per year now be on 1 July rather than 1 April, across the UK.

Under the Energy Price Guarantee, the Government sets maximum prices per unit of gas and electricity for households.

Due to lower wholesale gas prices, the Government notes household energy bills are expected to be lower from July.

For further information see the Government's press release Energy bills support extended for an extra three months and the Library's Gas and electricity prices under the Energy Price Guarantee and beyond (published before the Spring Budget).

- Charges for customers paying via pre-payment meters will be brought into line with those paying by direct debit, across the UK.

Defence

- The Government will spend an additional £2 billion per year between 2023/24 and 2027/28 (£3 billion in 2024/25) on defence and national security priorities.

The Integrated Review Refresh 2023 was announced on Monday 13 March, updating the Government's security, defence, development and foreign policy priorities, including the additional spending for 2023/24 and 2024/25.

The Library briefing The Integrated Review Refresh 2023: What has changed since 2021? has more.

Devolution and Local Funding

- New 'trailblazer' devolution deals with the West Midlands Combined Authority and the Greater Manchester Combined Authority have been agreed, subject to ratification. They will each receive a multi-year funding settlement at the next Spending Review.
- Central support for Local Enterprise Partnerships in England will be withdrawn from April 2024, subject to consultation. Local Enterprise Partnerships are business-led partnerships between local authorities and businesses.
- There will be funding for regeneration projects in England.
- An additional £200 million will go to local road maintenance, including repairing potholes, in England, in 2023-24.
- A new approach to investment zones was announced for the UK.

For further information see the Government's press release, Levelling up at heart of Budget.

Funding for the Devolved Administrations

As a result of decisions at the Spring Budget, the devolved administrations will receive funding through the Barnett formula of:

- £320 million for the Scottish Government across 2023/24 and 2024/25
- £180 million for the Welsh Government across 2023/24 and 2024/25
- £130 million for the Northern Ireland Executive across 2023/24 and 2024/25.

Tax

Taxation of Pensions

- The Budget increased the amount which can be saved tax-free in private pensions in a single year and over a person's lifetime. The Annual Allowance (the cap on tax-free annual pension contributions) will be increased from £40,000 to £60,000 from April 2023. The Lifetime Allowance will be scrapped from April 2024 and the lifetime allowance charge removed from April 2023. Ending the Lifetime Allowance means that pension savers will no longer have to pay extra tax if their lifetime pensions savings go over a certain limit.

Fuel Duty

- Fuel duty will be frozen for 12 months. Last year's temporary 5p cut will be maintained and duty will not be increased with inflation.

Alcohol Duty

- Alcohol duty rates are frozen until August 2023. On 1 August, nondraught alcohol duties will be uprated by inflation. The value of Draught Relief will be increased from 5% to 9.2% on qualifying beer and cider, and 20% to 23% on qualifying wine, spirits and other fermented products.

Business Tax

- Companies will, temporarily, be able to use the cost of investment in certain plant and machinery to offset corporation tax. They will be able to do so immediately, rather than over the lifetime of the asset. This is widely known as full expensing. The temporary 100% deduction will start from April 2023 and will last for three years. The Government intends to make this scheme permanent when economic conditions allow. The introduction of this measure follows the end of the super-deduction scheme in March 2023.

The extension of the 50% First-Year Allowance permits the deduction of 50% of the cost of some plant and machinery, which don't qualify for full expensing, in the year of purchase. The Budget announced an extension of three years for this allowance which had been due to end on 31 March 2023. The Government intends to make this permanent when economic conditions allow.

- Support for R&D intensive small and medium enterprises (SMEs) will be through an enhanced rate of tax relief for loss-making firms. Those eligible will be able to claim £27 from the Government for every £100 of research and development investment.
- Reforms to audio-visual tax reliefs and a two year extension to the temporary higher rates of theatre, orchestra and museums and galleries tax reliefs.

Source: HM Treasury, Spring Budget 2023

Inflation

The annual rate of inflation is now expected to fall faster during 2023 than the OBR forecast in November 2022. This stems mostly from the fall in wholesale gas prices since then. The Consumer Prices Index (CPI) measure of inflation is now expected to decline from its current rate of 10.1% in January to 2.9% by the end of 2023, lower than the 3.8% forecast previously.

The OBR expects the inflation rate to continue falling in 2024 and 2025, down to 0% during most of 2025 (meaning consumer prices remain unchanged compared with a year before). By the end of the forecast period in early 2028 inflation rises to 2%, which is the Bank of England's inflation target.

Household Incomes

The improved short-term economic outlook and the faster-than-expected decline in inflation has slightly improved forecasts for household incomes.

The OBR still expects an historically-large decline in after-tax incomes after adjusting for inflation. In 2023, incomes, on a per person basis, are forecast to decline by 3.2%, compared with the 3.8% decline previously projected. And this comes after a 3.1% fall in this measure of income in 2022.

Based on these forecasts, real (inflation-adjusted) post-tax income per head will not return to its pre-pandemic level by the end of the OBR's forecasts in early 2028; they will still be 0.4% below their pre-pandemic level of Q4 2019.

Unemployment and Employment

The OBR anticipates that unemployment will rise during 2023 due to the weak economy, with the unemployment rate forecast to peak at 4.4% in 2024. This is lower than was expected in November, when the OBR thought it would peak at 4.9%.

The OBR says that the impact of policies announced in the Budget will reduce the peak in unemployment by 0.1 percentage points.

The OBR has revised up its estimates for how many people will be in work by the end of its forecast period in early 2028. It now thinks there will 140,000 more people in employment, compared to its November projections.¹⁰ This is due to the OBR increasing its assumption of annual net migration and more people finding work as a result of the Government's measures boosting labour supply announced in the Budget.

The increase is mitigated to some extent by the OBR's assumption that more of the rise in economic inactivity (those not in work or looking for work) since the pandemic will be permanent.

Long-term Growth Assumptions

The OBR didn't alter its expectations of how fast the economy could grow under normal conditions over the long-term (called the growth rate in potential output). From 2027, the OBR thinks the economy can grow sustainably by 1.75% per year.

The OBR raised its assumptions of net migration per year from 205,000 to 245,000 from 2026/27 onwards.¹⁴ This assumption is based on the Office for National Statistics January 2023 projections for total net migration.¹⁵ The OBR says the higher population will boost employment and the level of potential output by 0.5% in 2027.

The OBR left unchanged its assumption that Brexit would lead to the UK's trade intensity – how much it exports and imports – being 15% lower in the long run than if the UK had remained in the EU. The OBR still thinks this will reduce potential productivity – and therefore GDP – by 4% over the long term.

Government Borrowing

When a government spends more than it raises from taxes and other sources (its receipts), it borrows money, mainly from financial institutions. This is sometimes referred to as the budget deficit.

The Office for Budget Responsibility's (OBR) 15 March forecast is that government borrowing will increase from £122 billion in 2021/22, to £152 billion in 2022/23. Borrowing is then forecast to fall in each financial year before it gets to £49 billion in 2027/28, which is the final year of the OBR's current forecast period. As the chart below shows, a similar pattern is seen for borrowing as a percentage of GDP.

Compared with its previous (November 2022) forecast, the OBR now forecasts lower borrowing in all but one year of its forecast. 2024/25 is the exception.

Despite the improvement, borrowing is forecast to be around £50 billion a year higher relative to the OBR's March 2022 forecast.

The underlying situation has improved...

The OBR produce an 'underlying' forecast, which forecasts borrowing before the Chancellor's Spring Budget policies are included. Its underlying borrowing forecast is around £25 billion a year lower, on average, compared with the November 2022 forecast.

The OBR expects that recent strength in tax receipts will persist across all years of the forecast. It also believes that the Government will spend less on debt interest than it forecast in November 2022. For this financial year (2022/23) and next, government spending on energy support for households and businesses is forecast to be a lot less than was forecast in November 2022.

...but three-fifths of the improvement has been spent by the Chancellor

The Chancellor's Spring Budget policies – summarised in section 2 – directly increase borrowing by around £15 billion a year. The cost is highest during 2023/24 to 2025/26, when the temporary full-expensing capital allowances is in force. This policy allows businesses to deduct 100% of all plant and machinery investment spending immediately when calculating taxable profits. The allowance will cost the Government an average of around £9 billion in the three years.

Aside from the capital allowance:

- around £4 billion is being spent in 2023/24 to maintain the generosity of the energy price guarantee to June 2023
- policies to support labour market participation are forecast to cost around £1 billion in 2023/24, rising to around £7 billion by 2027/28
- other spending policies, most notably on defence, cost around £3 billion a year on average across the five-year forecast
- tax measures, most notably freezing the fuel duty rate, cost over £3 –4 billion a year on average.

Government Debt

The Government's underlying debt was equivalent to 83.9% of GDP at the end of 2021/22. On 15 March, the OBR forecast that it will increase each year before reaching 94.8% of GDP in 2026/27. It then falls to 94.6% of GDP in 2027/28. Government debt hasn't consistently been above 90% of GDP since the early 1960s, although it has been higher and exceeded 200% of GDP following World War II.

The Government's underlying debt excludes the Bank of England's contribution to net debt. Underlying government debt (excluding the Bank of England) is said to be more closely associated with government choices around spending and tax than the measure including the Bank's contribution. It is thought to be a better measure of the Government's underlying debt, because it removes some Bank of England schemes that add to debt only temporarily. 17 It is the measure of debt used in the Government's debt target.

Compared with the November 2022 forecast, the OBR now forecasts that the Government's underlying debt will be lower in all years of its forecast. It has revised down its forecast by an average of 2.7% of GDP across the five-years. This is due to two factors. The OBR forecasts that the cash level of debt will be lower, relative to its November 2022 forecast, as the Government will be borrowing less. It also forecasts that the cash size of the economy (as measured by GDP) will be larger, relative to the November forecast.

The Chancellor's Fiscal Targets

In February 2023, the House of Commons approved revised targets for the public finances.¹⁸ They were proposed by the Chancellor in the 2022 Autumn Statement.

The targets, which cover government debt and borrowing, are often referred to as the "fiscal targets". Both targets are currently being met in the OBR's forecast.

The Government's target is for debt to be falling, as a % of GDP, by the fifth year of the OBR's forecast (currently, 2027/28). This target focuses on the Government's underlying debt (excluding the Bank of England), as discussed above. The Government is forecast to meet this target by 0.2% of GDP, which is around £6.5 billion. This is a smaller margin than the OBR forecast in November 2022.

The OBR says that the margin of £6.5 billion is the "smallest amount of headroom any Chancellor has set aside against his primary fiscal target, which has averaged £25.6 billion in today's terms since the OBR was established in 2010".

The borrowing target is for government borrowing to not exceed 3% of GDP by the fifth year of the forecast period. The target is being met in the OBR's forecast, by a margin of £39 billion (1.3% of GDP). For this target, the margin, or headroom, has increased from around £21 billion in the November forecast.

The Government also has a cap on welfare spending called the welfare cap. The only formal assessment of this comes in the first Budget of a Parliament. However, the OBR monitors progress between these official assessments. In its forecast, the OBR assesses that the welfare cap is on course to be missed by around £4 billion.

The Library briefing *The UK's fiscal targets*, discusses the targets and their predecessors.

Source: commonslibrary.parliament.uk

**Implications
On UK Real
Estate /
Destabilised
Economic
and Political
Climate**

6.3 It is too early to determine what the longer term effects of this current destabilised economic and political climate may have on the property market.

Amongst the more obvious wider concerns, the current following factors are the driving force behind an extremely anxious UK real estate market:

1. Access to funding
2. Affordability of funding
3. Certainty of property income streams (tenant defaults, resulting from cost of living crisis)
4. Tax implications on buy-to-let (investors re-evaluating and establishing if it still viable?)
5. Amortising/part redeeming for refinancing / fixed term expiries
6. EPC ratings for lending requirements

The UK residential and commercial property markets are expected to experience a slowdown. There are currently adverse market factors with respect to the economy and property market, which is resulting in diminishing confidence within the overall UK property market. The markets will have to be monitored over the next few months to determine the full impact on our reported Market Value.

We consider that we can attach less weight to pre mini-budget (23rd September 2022) evidence (transaction including under-offer, exchanged or completed) for comparison purposes, to inform opinions of value. It should also be noted that within some localised/micro markets, there may be a lack of transactions which have occurred since 23rd September 2022. There are also likely to be large variances and anomalies within transactions which have been agreed post mini-budget, some of which may not be reflective of Market Value. As our valuation is of a current date, it relies somewhat on comparable transactions which have occurred during a period expected to be stronger than the forthcoming year.

The UK economy has entered a period of instability and recession which is predicted to continue into 2023. There have been increases in interest rates within recent months. Further concerns relating to rising energy costs, high levels of inflation and taxation are also likely result in adverse implications ahead for businesses and homeowners. This is likely to have a knock-on effect in property markets and property values.

Due to the prevailing economic climate / outlook and the potential impact on property values, we recommend that lenders take a more prudent approach to lending and keep the valuation of this property under more frequent review.

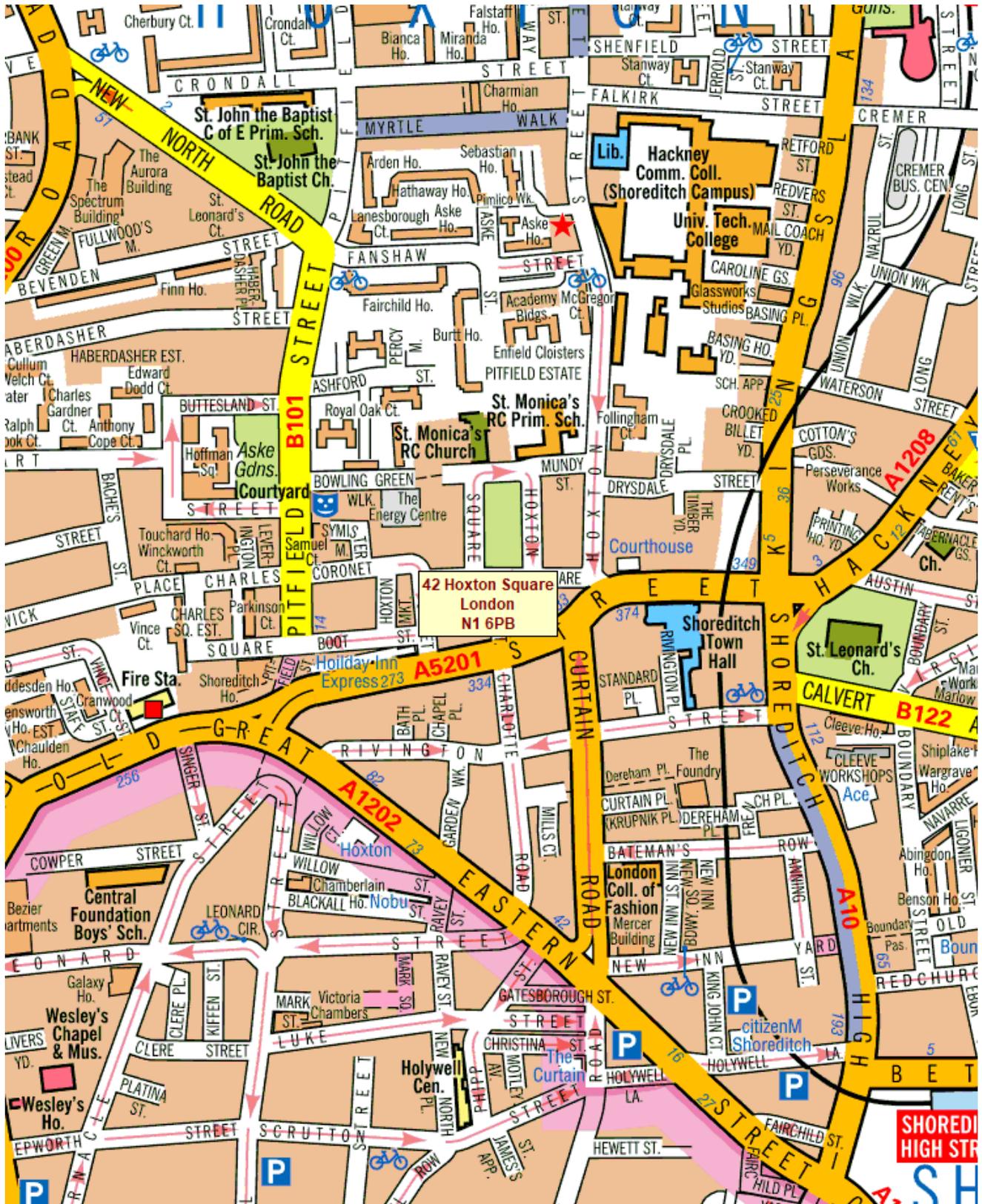
Demand	6.4 If priced correctly the property would be popular with a range of owner occupiers and investors.
Liquidity	6.5 The Pandemic has resulted in occupiers / employers having to adapt, with more investment in IT and retailers now heavily focusing on online stores/sales. It is further considered with occupiers reconsidering their business models / requirement (i.e. online retail and employees working from home) there is likely to be a higher than previously experience supply of retail and office accommodation. The hospitality industry thus far, remains relatively inconspicuous but it is suspected that the industry (as a whole) will take a protracted time to recovery, which has already included a huge rise in demand for home delivery of hot food. Online retailers and giants such as Amazon, Uber Eats, Just Eats etc appear to be changing the way people purchase goods and indulge. We consider that other retailers, if they haven't already, will follow suit, which will leave a lasting effect on high street retail/shopping centres. The sentiment amongst local established agents, respected peers within the property market and in our own professional judgement is in order to transact a commercial premise in the current economic climate, the property must be competitively priced to attract / appease the interest of purchasers / occupiers who are themselves approaching transactions with low levels of confidence and caution. The 24th March 2022 was the last day that the general moratorium on commercial evictions and restrictions on Commercial Rent Arrears Recovery (CRAR) in England and Wales. Additionally, The 'Commercial Rent (Coronavirus) Act 2022' is now in place to help resolve remaining commercial rent debts accrued owing to the pandemic. As a result of this Act being introduced, 24 th March 2022, a legally binding arbitration process is available to assist resolve disputes about pandemic-related rent deb, for certain businesses, including pubs, gyms and restaurants, which were mandated to close, in full or in part from March 2020 until the date restrictions ended for their particular sector. Assuming the property is competitively priced, it should sell/let within timescales mentioned below at our opinion of Market Value/Market Rent assuming current market conditions and in the condition and standard of presentation as at the valuation date. Office Lettings: 9-12 months Sales: 6-9 months We would recommend that the property is sold via private treaty as being the most effective method of disposal. A rent incentive of up to 6 months rent-free may be required in order to secure a commercial tenant, thus the total rental diminution for this element may be between 15 – 18 months. We also advise more 'tenant friendly' lease terms may also need to be catered for (i.e inclusion of more frequent tenant only break options and Covid-19 or similar lockdown clauses).

7. Valuation

Methodology	7.1	Comparable
Rental Values	7.2	The general consensus of professional opinion is that similar office units will achieve rents in the region of £30.00 - £37.50 per sq ft (FRI lease terms) depending upon size, layout, specification and permitted use.
	7.3	We are of the opinion that the Market Rent, if let on standard short commercial terms (5-year FRI lease), is fairly reflected in the sum of £75,000 per annum (circa £33.57 per sq ft).
	7.4	Individual values:
		Lower ground floor (1,249 sq ft): £37,500 per annum, devalues to £30.02 psf Ground floor (985 sq ft): £37,500 per annum, devalues to £38.07 psf
Capital Values	7.5	Our analysis of comparables supports a capital value for the office element, between £600 per sq ft and £650 per sq ft.
Market Value (Vacant Possession)	7.6	We are of the opinion that the Market Value of the long leasehold interest in the property, with vacant possession, in the condition found at the time of our inspection as at the assumed date of valuation, is fairly reflected in the sum of: £1,450,000 (One Million, Four Hundred and Fifty Thousand Pounds).
Market Value (Restricted - 90 Days)	7.7	We are of the opinion that the Market Value of the leasehold interest in the property, with vacant possession, assuming a marketing period restricted to 90 days, in the condition found at the time of our inspection as at the assumed date of valuation, is fairly reflected in the sum of: £1,300,000 (One Million, Three Hundred Thousand Pounds).
Market Rent (Offices)	7.8	We are of the opinion that the Market Rent, if let on standard short commercial lease terms (5-year FRI lease), as at the date of valuation is: £75,000 per annum
	7.9	To comply with the definition of the VPS5 (1.3) and UK Appendix 11 (5.3) of the RICS Valuation – Professional Standards we have made a special assumption that the property is let in good order, unfurnished on an one year Assured Shorthold Tenancy.
Building Reinstatement	7.10	We would recommend that the property be insured for a minimum sum of: £635,000 (Six Hundred and Thirty-Five Thousand Pounds).

Suitability for Lending	7.11 Subject to the comments in this report we consider the property offers good security for loan purposes.
Lenders Action Points	7.12 <ul style="list-style-type: none"> • We are not legal advisors and as with all legal documentation the lenders legal advisors should confirm that our understanding of the tenure and tenancies is correct. • The lenders legal advisors should confirm the valuation has been prepared in accordance with the statutorily permitted use and that acceptable consent from all parties concerned is in place. • Local authority enquiries have been made, however these are limited and your legal advisors may discover adverse information within their searches which should be brought to our attention. • The lenders legal advisors should confirm that the interest under consideration has a good and marketable title. • The Energy Efficiency Regulations March 2015 made it unlawful for a landlord to grant a new tenancy/lease for commercial properties that has an EPC Rating below "E" from 1st April 2018 unless the property is exempt. From 1st April 2023 this provision applies to all commercial tenancies both new and existing. • Aside from the advice provided within our valuation, we further recommend that you keep the valuation of this property under frequent review, by amending lending covenants to include 'valuations can be called upon by the lender on an as and when basis'.

8. Location Map



9. Property Photographs



Street Scene



Street Scene



Ground Floor Office



Ground Floor Office



Ground Floor Office



Ground Floor WC



Lower Ground Floor Reception



Lower Ground Floor Open Plan Sitting Area



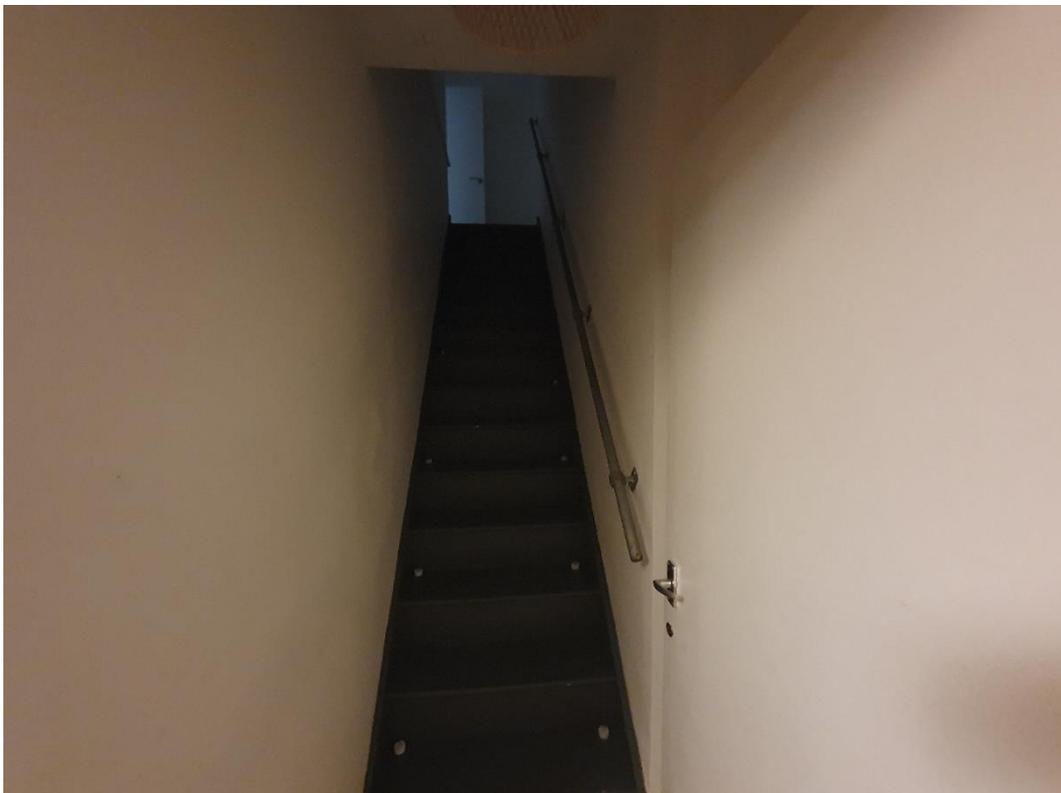
Lower Ground Floor Office



Lower Ground Floor Store



Lower Ground Floor WC



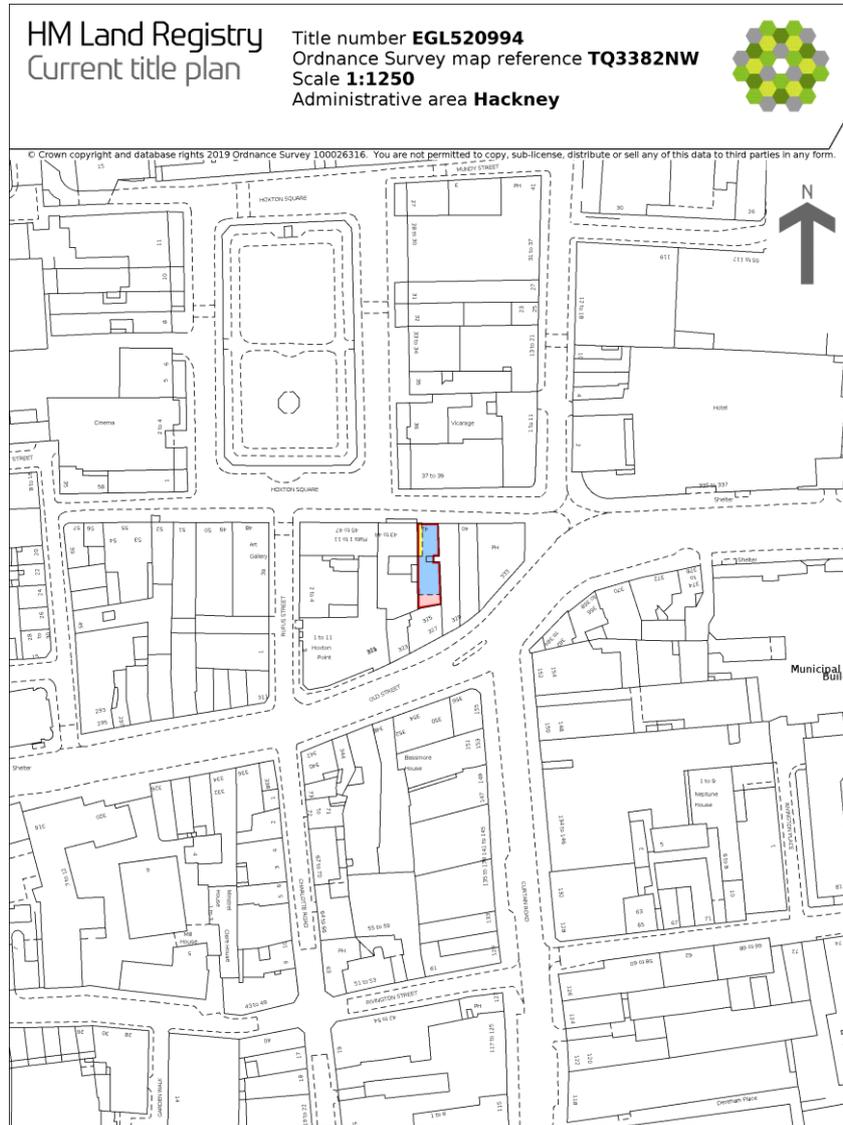
Stairway to Ground Floor

10. Land Registry - Title Plan

Lenders Security

The area edged in red on the title plan reflects the demise of the subject property and lenders security.

We have not been provided with a Report on Title, however, if one is produced we will be pleased to review and pass comment.



This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 20 January 2023 at 12:05:16. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.

This title is dealt with by HM Land Registry, Wales Office.

We trust that this report is satisfactory for your current requirements, but, if we can be of further assistance, please do not hesitate to contact us.

Yours faithfully

Prepared and Signed by:



Hinesh Varsani MRICS
RICS Registered Valuer (Membership No. 1217966)
Partner

For and on behalf of Belleveue Mortlakes

Countersigned by:



Alex Oblikovs MRICS
RICS Registered Valuer (Membership No. 6644690)
Valuation Surveyor

For and on behalf of Belleveue Mortlakes



Richard Morgan MRICS
RICS Registered Valuer (Membership No. 0062284)
Senior Surveyor

For and on behalf of Belleveue Mortlakes

APPENDIX 1



Energy performance certificate (EPC)

Flat 2 42 Hoxton Square Hackney LONDON N1 6PB	Energy rating C	Valid until: 11 November 2031
		Certificate number: 9370-2929-6190-2299-4181

Property type

Mid-floor flat

Total floor area

105 square metres

Rules on letting this property

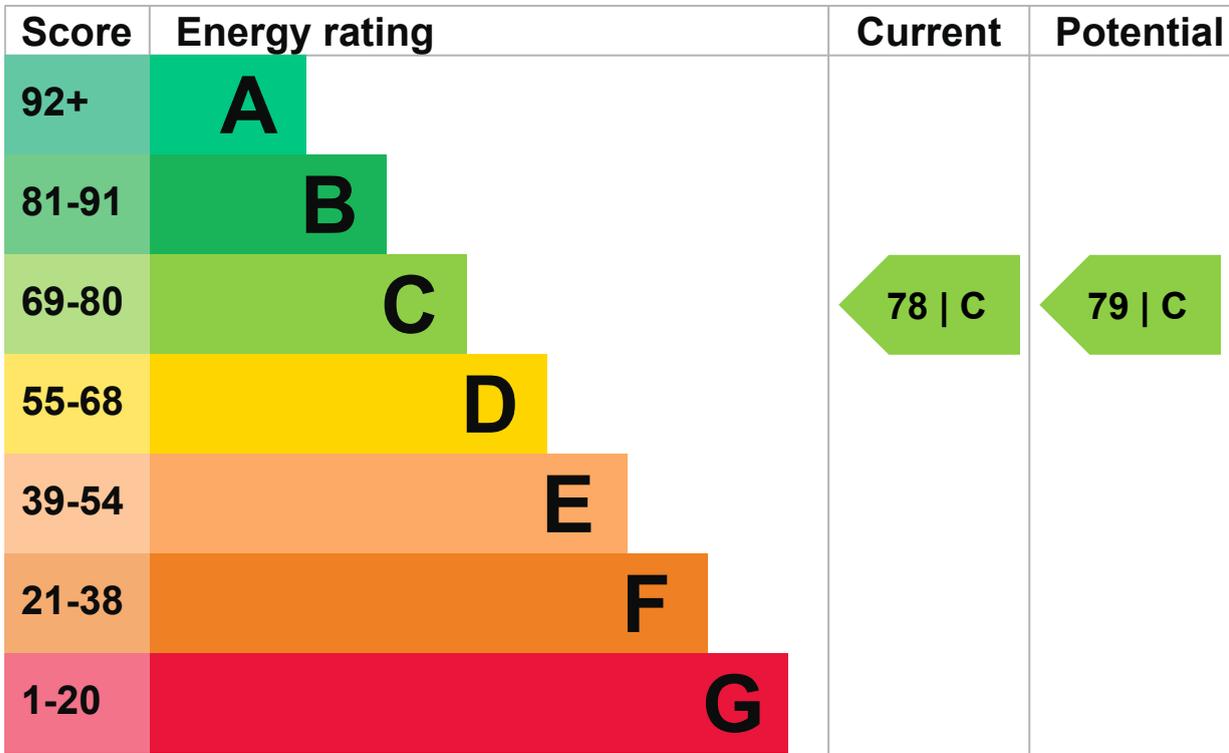
Properties can be let if they have an energy rating from A to E.

You can read [guidance for landlords on the regulations and exemptions \(https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance\)](https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance).

Energy efficiency rating for this property

This property's current energy rating is C. It has the potential to be C.

[See how to improve this property's energy performance.](#)



The graph shows this property's current and potential energy rating.

Properties get a rating from A (best) to G (worst) and a score. The better the rating and score, the lower your energy bills are likely to be.

For properties in England and Wales:

- the average energy rating is D
- the average energy score is 60

Breakdown of property's energy performance

This section shows the energy performance for features of this property. The assessment does not consider the condition of a feature and how well it is working.

Each feature is assessed as one of the following:

- very good (most efficient)
- good
- average
- poor
- very poor (least efficient)

When the description says "assumed", it means that the feature could not be inspected and an assumption has been made based on the property's age and type.

Feature	Description	Rating
Wall	Solid brick, as built, no insulation (assumed)	Poor
Window	Mostly double glazing	Average
Main heating	Boiler and radiators, mains gas	Good

Feature	Description	Rating
Main heating control	Programmer, room thermostat and TRVs	Good
Hot water	From main system	Good
Lighting	Low energy lighting in all fixed outlets	Very good
Roof	(another dwelling above)	N/A
Floor	(other premises below)	N/A
Secondary heating	None	N/A

Primary energy use

The primary energy use for this property per year is 118 kilowatt hours per square metre (kWh/m²).

► [What is primary energy use?](#)

Environmental impact of this property

This property's current environmental impact rating is C. It has the potential to be C.

Properties get a rating from A (best) to G (worst) on how much carbon dioxide (CO₂) they produce each year. CO₂ harms the environment.

An average household produces

6 tonnes of CO₂

This property produces

2.2 tonnes of CO₂

This property's potential production

2.0 tonnes of CO₂

You could improve this property's CO₂ emissions by making the suggested changes. This will help to protect the environment.

Environmental impact ratings are based on assumptions about average occupancy and energy use. They may not reflect how energy is consumed by the people living at the property.

Improve this property's energy rating

► [Do I need to follow these steps in order?](#)

Step 1: Internal or external wall insulation

Typical installation cost

£4,000 - £14,000

Typical yearly saving

£26

Potential rating after completing step 1

79 | C

Paying for energy improvements

You might be able to get a grant from the [Boiler Upgrade Scheme \(https://www.gov.uk/apply-boiler-upgrade-scheme\)](https://www.gov.uk/apply-boiler-upgrade-scheme). This will help you buy a more efficient, low carbon heating system for this property.

Estimated energy use and potential savings

Based on average energy costs when this EPC was created:

Estimated yearly energy cost for this property

£532

Potential saving if you complete every step in order

£25

The estimated cost shows how much the average household would spend in this property for heating, lighting and hot water. It is not based on how energy is used by the people living at the property.

Heating use in this property

Heating a property usually makes up the majority of energy costs.

Estimated energy used to heat this property

Type of heating	Estimated energy used
Space heating	4824 kWh per year
Water heating	2254 kWh per year

Potential energy savings by installing insulation

Type of insulation**Amount of energy saved**

Solid wall insulation

585 kWh per year

Saving energy in this property

[Find ways to save energy in your home.](#)

Contacting the assessor and accreditation scheme

This EPC was created by a qualified energy assessor.

If you are unhappy about your property's energy assessment or certificate, you can complain to the assessor directly.

If you are still unhappy after contacting the assessor, you should contact the assessor's accreditation scheme.

Accreditation schemes are appointed by the government to ensure that assessors are qualified to carry out EPC assessments.

Assessor contact details

Assessor's name

Trevor Forde

Telephone

07843338381

Email

foredafc@hotmail.com

Accreditation scheme contact details

Accreditation scheme

Elmhurst Energy Systems Ltd

Assessor ID

EES/023755

Telephone

01455 883 250

Email

enquiries@elmhurstenergy.co.uk

Assessment details

Assessor's declaration

No related party

Date of assessment

11 November 2021

Date of certificate

12 November 2021

Type of assessment

▶ [RdSAP](#)

Other certificates for this property

If you are aware of previous certificates for this property and they are not listed here, please contact us at dluhc.digital-services@levellingup.gov.uk or call our helpdesk on 020 3829 0748 (Monday to Friday, 9am to 5pm).

There are no related certificates for this property.

Energy performance certificate (EPC)

Flat 3 42 Hoxton Square Hackney LONDON N1 6PB	Energy rating D	Valid until: 28 September 2031
		Certificate number: 4539-5021-1000-0878-1222

Property type

Top-floor maisonette

Total floor area

79 square metres

Rules on letting this property

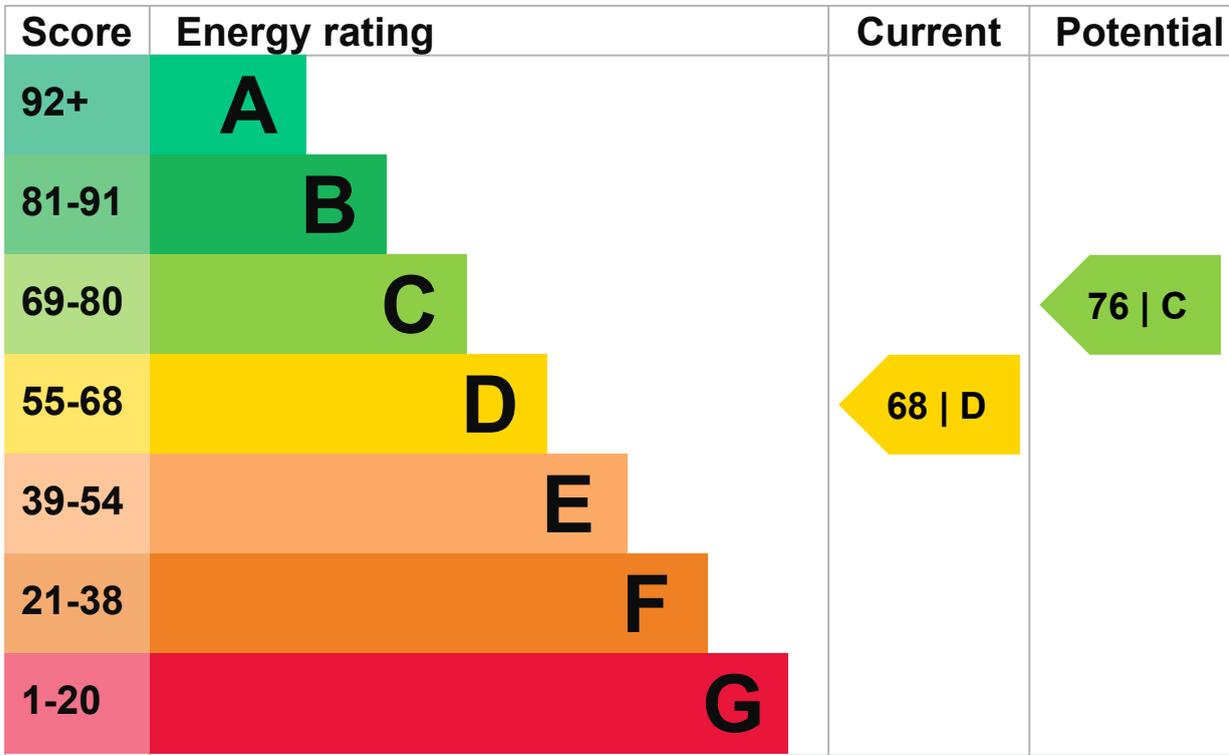
Properties can be let if they have an energy rating from A to E.

You can read [guidance for landlords on the regulations and exemptions \(https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance\)](https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance).

Energy efficiency rating for this property

This property's current energy rating is D. It has the potential to be C.

[See how to improve this property's energy performance.](#)



The graph shows this property's current and potential energy rating.

Properties get a rating from A (best) to G (worst) and a score. The better the rating and score, the lower your energy bills are likely to be.

For properties in England and Wales:

- the average energy rating is D
- the average energy score is 60

Breakdown of property's energy performance

This section shows the energy performance for features of this property. The assessment does not consider the condition of a feature and how well it is working.

Each feature is assessed as one of the following:

- very good (most efficient)
- good
- average
- poor
- very poor (least efficient)

When the description says "assumed", it means that the feature could not be inspected and an assumption has been made based on the property's age and type.

Feature	Description	Rating
Wall	Solid brick, as built, no insulation (assumed)	Poor
Wall	System built, as built, no insulation (assumed)	Very poor
Roof	Flat, no insulation (assumed)	Very poor

Feature	Description	Rating
Window	Fully double glazed	Good
Main heating	Boiler and radiators, mains gas	Good
Main heating control	Programmer, room thermostat and TRVs	Good
Hot water	From main system	Good
Lighting	Low energy lighting in all fixed outlets	Very good
Floor	(another dwelling below)	N/A
Secondary heating	None	N/A

Primary energy use

The primary energy use for this property per year is 202 kilowatt hours per square metre (kWh/m²).

▶ [What is primary energy use?](#)

Additional information

Additional information about this property:

- System build present

Environmental impact of this property

This property's current environmental impact rating is D. It has the potential to be C.

Properties get a rating from A (best) to G (worst) on how much carbon dioxide (CO₂) they produce each year. CO₂ harms the environment.

An average household produces

6 tonnes of CO₂

This property produces

2.8 tonnes of CO₂

This property's potential production

2.0 tonnes of CO₂

You could improve this property's CO₂ emissions by making the suggested changes. This will help to protect the environment.

Environmental impact ratings are based on assumptions about average occupancy and energy use. They may not reflect how energy is consumed by the people living at the property.

Improve this property's energy rating

► [Do I need to follow these steps in order?](#)

Step 1: Flat roof or sloping ceiling insulation

Typical installation cost

£850 - £1,500

Typical yearly saving

£112

Potential rating after completing step 1

74 | C

Step 2: Internal or external wall insulation

Typical installation cost

£4,000 - £14,000

Typical yearly saving

£37

Potential rating after completing steps 1 and 2

76 | C

Paying for energy improvements

You might be able to get a grant from the [Boiler Upgrade Scheme \(https://www.gov.uk/apply-boiler-upgrade-scheme\)](https://www.gov.uk/apply-boiler-upgrade-scheme). This will help you buy a more efficient, low carbon heating system for this property.

Estimated energy use and potential savings

Based on average energy costs when this EPC was created:

Estimated yearly energy cost for this property

£634

Potential saving if you complete every step in order

The estimated cost shows how much the average household would spend in this property for heating, lighting and hot water. It is not based on how energy is used by the people living at the property.

Heating use in this property

Heating a property usually makes up the majority of energy costs.

Estimated energy used to heat this property

Type of heating	Estimated energy used
Space heating	8826 kWh per year
Water heating	1878 kWh per year

Potential energy savings by installing insulation

Type of insulation	Amount of energy saved
Solid wall insulation	798 kWh per year

Saving energy in this property

[Find ways to save energy in your home.](#)

Contacting the assessor and accreditation scheme

This EPC was created by a qualified energy assessor.

If you are unhappy about your property's energy assessment or certificate, you can complain to the assessor directly.

If you are still unhappy after contacting the assessor, you should contact the assessor's accreditation scheme.

Accreditation schemes are appointed by the government to ensure that assessors are qualified to carry out EPC assessments.

Assessor contact details

Assessor's name

Agustin Andrade Gonzalez

Telephone

07932028339

Email

augustin@inhousephotography.co.uk

Accreditation scheme contact details

Accreditation scheme

Elmhurst Energy Systems Ltd

Assessor IDEES/025000

Telephone01455 883 250

Emailenquiries@elmhurstenergy.co.uk

Assessment details

Assessor's declarationNo related party

Date of assessment28 September 2021

Date of certificate29 September 2021

Type of assessment▶ [RdSAP](#)

Other certificates for this property

If you are aware of previous certificates for this property and they are not listed here, please contact us at dluhc.digital-services@levellingup.gov.uk or call our helpdesk on 020 3829 0748 (Monday to Friday, 9am to 5pm).

Certificate number[9368-4051-6251-9909-2930 \(/energy-certificate/9368-4051-6251-9909-2930\)](#)**Expired on**18 September 2021

APPENDIX 2



APPENDIX 3



Standard Limitations & Assumptions

1. Security Analysis

General Commentary

- 1.1 We have been requested to comment on the suitability of the property for loan security purposes.
- 1.2 Within our valuation report we have commented on any inherent property related risks which we have identified as part of our due diligence and which we consider should be drawn to your attention. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

Loan/Borrower

- 1.3 We have not been provided with accounts or other financial information on your Customer, and are unable to comment on their financial strength. We would recommend that you satisfy yourselves that your Customer has the necessary capability to meet the intended repayments.
- 1.4 We have not been provided with the terms of the loan being offered to your Customer. We assume that the loan to value ratio, interest cover ratio and loan term length are within typical market parameters. Our assessment is made upon the property itself (in isolation) and no recommendation is given by Belleveue Mortlakes in respect of the length of term considered appropriate or sum to be advanced and any decision in this respect should be subject to the usual lending criteria of the Bank.

Verification

- 1.5 The report has been based, to some extent, on information provided verbally which should be checked by your solicitors. In particular, this may apply to tenure and planning. Their searches may also reveal whether any historical use of the property is likely to have resulted in contamination.
- 1.6 We reserve the right to amend our valuation following any searches which provide information that differs from that previously assumed.

Specialist & Suggested Reports

- 1.7 Where appropriate we may highlight in some instances specialist reports which may be required.
- 1.8 Suggestion – (not essential, unless specifically drawn to your attention) - the lender may wish to commission an EnviroScreen or GroundSure report which will provide commentary on risk of contamination/flooding. This type of survey report can usually be requested as an additional search via your legal advisors.

Recoveries

- 1.9 We are not privy to the full extent of how this loan is structured and can therefore only comment on the recovery of a loan advanced against this security, in isolation.
- 1.10 The report has been reviewed by our LPA Receivers, who confirm that there are no major areas of concern which will adversely affect enforcement of this security. We recommend that this is also confirmed by your legal advisors.

Scope of Enquiries

- 1.11 The extent of enquiries made are set out in our General Terms of Business and within this Standard Limitations & Assumptions. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant section of the report. We have relied upon this information as being accurate and complete.
- 1.12 Some information within the valuation report has been provided "the Client", "the Customer", its advisers and other third parties. We have relied upon information as being materially correct in all respects.
- 1.13 In the absence of any other documents or information provided, we have had to rely solely upon our own enquiries as outlined in the valuation report. Any assumptions resulting from the lack of information are also set out in the relevant sections of the valuation report and within this Standard Limitations & Assumptions document.

2. The Property

Description

- 2.1 Where the age of the building is estimated, this is for guidance only.

Construction

- 2.2 Unless otherwise stated within the report, the property is of a traditional or system built (applicable to Local Authority blocks) construction.
- 2.3 We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos).
- 2.4 For the purposes of this valuation we have assumed that such investigations would not disclose the presence of any such material in any adverse conditions.

General Repair & Condition

- 2.5 We have undertaken a visual inspection of the exterior and interior of the property, to the extent which is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level and within the boundaries of the site, and adjacent public/communal areas, and whilst standing at the various floor levels which we consider reasonable in order to provide the service having regard to its purpose. We have not carried out a building or structural survey or inspect those parts of the property which were covered, unexposed or inaccessible nor raised floor boards, moved any fixed apparatus or arranged for a test of the electrical, heating or other services.
- 2.6 With regard to flats, our inspection was limited to the subject flat(s) and immediately adjacent common areas only. It is not possible to comment on the condition of other parts of the building or on any potential liability for defects in such parts.
- 2.7 In preparing the report, unless otherwise stated, the following assumptions have been made which we are under no duty to verify:
- A. That no deleterious or hazardous materials or techniques were used in the construction of the property nor have since been incorporated.
 - B. That inspections of those parts which have not been inspected would neither reveal material defects nor cause the valuer to alter the valuation materially.

Condition

- 2.8 An overview of the condition of the property is described within the report.

General Remarks

- 2.9 For loan security purpose, within each report, significant defects or items requiring urgent attention will be brought to your attention. We will also advise if a retention is required or a condition of the mortgage advance is recommended.

Significant Issues

- 2.10 We would refer you to the main body of the report for details of repair liabilities. Where appropriate, we have highlighted significant issues which require immediate attention or issues which will have an adverse affect on value. Should this be the case, we have factored these considerations into our reported Market Values.

- 2.11 Properties built prior to the 1960s in particular are susceptible to dampness, timber decay and attack by wood boring beetle infestation. We have reported only on any obvious serious problems that might affect value. Otherwise we recommend that the property is regularly inspected and maintained to ensure that it is kept from these defects, and this is a matter that should be addressed under the general maintenance and management of the building.
- 2.12 We may report that the building has areas of flat roof. Flat roofs, particularly those with a felt covering, have a limited life and are prone to failing suddenly and therefore require regular inspection, maintenance and cyclical renewal.

Structural Condition

- 2.13 Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defects.
- 2.14 We have reported on any obvious structural movement that may be significant, progressive or require further investigation.

Ground Conditions

- 2.15 We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

Services

- 2.16 We have not tested any of the services within the property but made a visual inspection of those which are connected.
- 2.17 Specific details relating to the mains services of the property have been described within the valuation report.
- 2.18 We assume that all service installations are tested including by approved NICEIC and Gas Safe Registered contractors and that all recommendations and statutory requirements are fully implemented.
- 2.19 We emphasise that we have not undertaken a building survey of the property and should you require a more detailed report upon the mechanical and electrical equipment, a further inspection and report will be necessary. Our valuation assumes that all electronically operated or electronically controlled equipment at the property is not or will not be adversely affected by any computer virus or date related programming problems.
- 2.20 With respect to properties which have comfort cooling/air-conditioning, regulations for the installation, maintenance and re-filling of air conditioning plants have become more complex and restrictive in recent years. We have not inspected or tested the plant to confirm whether it works satisfactorily or whether it complies with all current legislation.

Accommodation

- Measurement**
- 2.21 All areas are approximate only and unless indicated otherwise have been measured in accordance with RICS Property Measurement, First Edition, on a Gross Internal Area (GIA), Net Internal Area (NIA) or Gross External Area (GEA) basis.
 - 2.22 We have measured the property using a Disto electronic measuring device, accurate to +/- 5mm up to 60m.
 - 2.23 The accommodation description is summarised within the report.
 - 2.24 The valuation given does not include any chattels or contents within the property.

3. Tenure & Tenancies

Legal Title

- 3.1 We have assumed a good and marketable title and that all documentation is satisfactorily drawn. We further assume that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.
- 3.2 We recommend that our understanding of all legal title issues is referred to your legal advisers for their confirmation that our understanding is correct.
- 3.3 If any matters come to light as a result of your legal adviser's review of these issues, we request that these matters are referred back to us as this information may have an important bearing upon the values reported.
- 3.4 We have not been provided with a Report on Title (ROT) and have, therefore, made various assumptions for the purposes of the valuation reported herein. If a ROT is produced we will be pleased to review and advise accordingly.
- 3.5 We emphasise that we are not Solicitors, and our observations are subject to verification by the Bank's appointed legal advisers in their formal Report on Title.

Tenure

- 3.6 We will usually inspect Office Copy entries relating to the property. Instances of uncertainty or anomalies will be raised within the report.

Freehold

- 3.7 Where the property has been identified as freehold, we have assumed that the freehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoings or conditions which would have an adverse effect upon the value of the property.

Leasehold

- 3.8 In the absence of a copy lease, we have assumed that normal covenants and liabilities devolve upon the lessee.
- 3.9 We are not aware of the current passing ground rents or service charges but have assumed they are commensurate for the respective property type and location.
- 3.10 Where it is identified as being leasehold, we have assumed that the leasehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoings or conditions which would have an adverse effect upon the value of the property.

Short Leasehold

- 3.11 Leasehold interests approaching or below 80 years are considered short and these properties will continue to be a depreciating asset until such time as the lease is extended. Legal advisers should ensure that the lease can be extended subject to the Commonhold and Leasehold Reform Act 2002.
- 3.12 Where this is the case the valuation takes into account the effect of the diminution in value as a result of the term unexpired and how these would be treated by lenders, for loan security purposes.
- 3.13 Our assumptions relating to tenure should be verified by your legal advisers. If they prove incorrect any variation may have a material impact on value and should be referred back to us for further comment.

Tenancies

Inspection of Tenancy Agreements

- 3.14 The report will confirm if an Assured Shorthold Tenancy 'AST', occupational agreement, commercial lease or other form of tenancy agreement has been provided.

Provided

- 3.15 Where documentation is provided, the Assured Shorthold Tenancy 'AST' / Commercial Lease / Occupational Agreement or tenancy agreement's salient terms will be summarised.
- 3.16 Adverse or onerous terms, conditions, or covenants which would affect value will be highlighted and commented upon. We emphasise that we are not Solicitors, and our observations in this regard are subject to verification by your legal advisers.

Not Provided

- 3.17 In the absence of tenancy documentation, we have relied upon information provided to us by your Customer.
- 3.18 In this instance, we assume that the AST/Commercial Lease or other form of tenancy agreement is in usual form, with no onerous terms, conditions, covenants which would affect value.
- 3.19 We advise that all information and assumptions relating to the tenancies are verified by your legal advisors. If they prove incorrect any variation may have a material impact on value and should be referred back to us for further comment.

Covenant Strength

- 3.20 We reflect our general appreciation of potential investors' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are not significant arrears of payment and that tenants are capable of meeting their obligations under the terms of leases and agreements.
- 3.21 It is beyond the scope of our expertise to give any guarantees in respect of the financial credibility and grading of the commercial tenant. We recommend that the lender, purchaser or investor undertakes its own due diligence and satisfies themselves in this regard.

4. Statutory & Legal Matters

Planning Enquiries

- 4.1 Enquiries of the relevant Planning and Highways Authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally or from a Local Authority website. Written enquiries can take several weeks for response and incur charges. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors.
- 4.2 These enquiries should not be taken as comprehensive searches and information on the relevant website is assumed to be both accurate and up to date. We recommend that a formal planning enquiry should be made via your legal advisors.
- 4.3 Unless specifically highlighted within the valuation report, for the purpose of our valuation, we have assumed that the property benefits from planning permission and building regulations for its current layout, configuration, conversion, extension and use. We further assume that the premises comply with all relevant statutory requirements including fire and building regulations
- 4.4 In the case of properties built within the last ten years, we have assumed that the customary 10 years NHBC, Zurich or identical cover is in place and that all necessary statutory consents have been obtained and complied with for the development.

Planning History

- 4.5 Where available, planning history relating to the property will be provided within the valuation report.

Alterations

- 4.6 Internal alterations, extensions or conversions will be described within the individual valuation reports.

Significant Matters

- 4.7 Where suspected, instances of uncertainty or anomalies relating to planning or statutory regulations will be highlighted. This section of the valuation report will highlight any adverse planning related matters which may affect our reported values, for example this may include instances where there may be a suspected breach of planning permission.

Enforcement

- 4.8 For the purposes of our valuation, we assume that there are no outstanding statutory enforcement notices. Your legal advisors should confirm should also confirm the same.

Planning Restrictions

- 4.9 Unless specifically mentioned within the valuation report, it is assumed that the property is not listed as a building of historical or architectural importance. We further assume that it is not situated within a conservation area.

Highways & Access

- Highways** 4.10 Unless stated otherwise, we understand from enquiries of the Highways Authority that the property is situated on a made up road, which is adopted and maintainable at public expense.
- Access** 4.11 We assume the property benefits from good access. We further assume that the property is not affected by any encumbrances relating to rights of way.
- Shared Drives / Services Roads/ Communal Areas** 4.12 Where a shared drive is brought to attention, a service road exists or communal areas are highlighted, solicitors may wish to investigate its ownership, rights of way and joint liabilities with respect to maintenance.
- Residential Blocks** 4.13 We assume appropriate rights of way exist over communal access areas and maintenance is covered by way of a service charge.

Rating Assessment

- 4.14 Information relating to Council Tax bands or Rateable Values has been obtained via The Valuation Office Agency, and is presented within the valuation report.

Registration & Licences

- 4.15 Unless specifically highlighted within our valuation report, we understand that no licences are required from the Local Authority for the current occupations.

- HMO Specific Legislation** 4.16 Information relating to HMO licensing will be provided, if applicable, within the valuation report.

Fire Safety Legislation

- 4.17 The Fire Regulatory Reform (Fire Safety) Order 2005 came into effect on 1st October 2006 and replaces most fire safety legislation.
- 4.18 The FSO applies to all non-domestic premises in England and Wales, including the common parts of blocks of flats and houses in multiple occupation (HMOs).
- 4.19 Under this legislation, a "responsible person" must now carry out a "Fire Risk Assessment" (or otherwise ensure one is carried out by a suitably qualified person).
- 4.20 We are not aware if a Risk Assessment has been undertaken. We recommend that the need to commission such an assessment and the implementation of its recommendations should be drawn to the attention of the customer.

Equality Act (Commercially Used Premises Only)

- 4.21 The Equality Act 2010 came into effect on 1st October 2010 and replaces previous legislation concerning discrimination, much of which was contained within the Disability Discrimination Act 1995.
- 4.22 A service provider or property owner is required to take reasonable steps to remove or alter any feature of a property that makes it impossible, or unreasonably difficult, for a disabled person to make use of the services of the property.
- 4.23 The definition of disability is wide ranging and the assessment of a building for this purpose is beyond the scope of this report.
- 4.24 This matter should be brought to the customers' attention as non-compliance could result in civil proceedings.
- 4.25 In order to properly assess what steps if any need to be taken to ensure that the property is compliant with the Act, we advise that an Access Audit is undertaken so that any deficiencies are correctly identified. We would be happy to comment on the contents of the report and likely effect, if any, on the property's value.
- 4.26 We have not carried out or commissioned any investigations to determine whether or not the property complies with the above requirements nor have we made any allowance for the cost of compliance works.

Asbestos at Work Regulation (Commercially Used Premises Only)

- 4.27 Obligations within the Control of Asbestos Regulations 2012 require every "dutyholder" of non-domestic premises to assess whether asbestos is, or is liable to be, present; to prepare and implement a plan for managing any risks arising; and to review and revise the plan as necessary. A "dutyholder" is any person with any extent of responsibility for the maintenance or control of the whole or part of the premises.
- 4.28 The legal requirement to commission such a report in accordance with the Regulations from a suitable qualified and insured professional, individual or company and the need to implement its recommendations, should be drawn to the attention of the customer.
- 4.29 We have not been informed of whether or not a full survey or register has been prepared and would recommend that the Client's solicitor clarifies this.

Asbestos (Residential Premises)

- 4.30 Properties built after the 1940s and prior to the late 1980s in particular often contain asbestos based materials within their construction and the material might be found in such items as textured wall or ceiling finishes, floor tiles, wall, duct or door panels, electric heaters, some water tanks, lagging, and bath panels etc. Unfortunately, it is not always possible to identify asbestos based materials on a purely visual inspection. Further advice on asbestos may be obtained from the local environmental health officer.

Health & Safety

- Residential Premises**
- 4.31 The letting of residential property requires compliance with strict health and safety standards by both owners and managers. The failure to comply can lead to civil and even criminal prosecutions. The requirements placed on the owners of let residential property include, but are not limited to:-
- 4.32
- Furniture & Furnishings (Fire) (Safety) Regulations 1988
 - Gas Safety (Installation and Use) Regulations 1998
 - Electrical Equipment (Safety) Regulations 1994
 - Housing Fitness Standards
 - Housing Health & Safety Rating System under the Housing Act 2004
- Commercial Premises**
- 4.33 All occupiers should be aware that Health and Safety requirements differ greatly according to how the premises are used. We have not made enquiries to ascertain the appropriateness of the premises for their current/proposed use or to confirm compliance with regulations.
- 4.34 We have assumed for the purposes of our report that there are no outstanding improvement notices served under appropriate legislation.
- 4.35 We have assumed in our valuation that all regulations have and will be complied with.
- The Smoke and Carbon Monoxide Alarm (England) Regulations 2015**
- 4.36 At the time of our inspection, we did not test any alarms or installations as this is beyond the scope of our instructions. We recommend that the Bank's legal advisers obtain confirmation from the customer that if the property is to be let, that it is fully compliant that the customer will ensure that these obligations on the landlord continue to be met.
- In arriving at our opinion of value we have assumed continuing compliance with the legislation.

Energy Act 2011

- EPC Ratings**
- 4.37 The EPC ratings provided within our valuation report have been sourced from data published by Department of Communities and Local Government, on www.ndepcregister.com (commercial premises) and www.epcregister.com (residential premises). We will indicated within our report if we have been unable to obtain an EPC Certificate/rating.
- 4.38 Since 1st October 2008, all owners of residential and commercial property are required to produce an Energy Performance Certificate (EPC) when the property is either sold or let.
- 4.39 EPCs give information on a buildings energy efficiency on a sliding scale from 'A' (very efficient) to 'G' (least efficient), as well as providing recommendations as to how to improve these ratings.
- 4.40 The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with 'F' and 'G' EPC ratings by no later than 1 April 2018. This is unlikely to affect our opinion of value at the current time.
- 4.41 For properties which have 'F' or 'G' ratings it is likely that capital expenditure will be required to maintain their marketability under the Act. We have not made an allowance in our valuation for this potential capital expenditure.

5. Environmental Considerations

Flooding

- 5.1 We have undertaken online research via the Environmental Agency website and summarise our findings within the report.
- 5.2 We have made an assumption that building insurance is available on "normal" terms.

Contamination

- 5.3 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists.
- 5.4 Unless any concerns are specifically raised within our valuation report, from our basic enquiries and from our inspection of the property and the respective surroundings, we have no reason to believe that contamination is present. Our views as to value therefore assume that the property is unaffected. However, should it be established subsequently that contamination exists at the property, or on any neighbouring land, or that the premises have been put to any contaminative use, this might reduce the value now reported.
- 5.5 We are not environmental specialists and therefore we do not carry out any scientific, investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified by reference to appropriate sections of The Red Book.
- 5.6 With regard to new properties or those built within the last 30 years, we have assumed that any necessary remedial land decontamination works were properly completed prior to the development commencing.

Plant Life

- 5.7 Unless specifically stated, at the time of inspection no obvious evidence of any harmful vegetation was found at any of the property.
- 5.8 We recommend regular inspection and maintenance of plant life, to prevent any potential harm to the stability of the building.
- 5.9 However, the presence of knotweed can be temporarily disguised by cutting it back to ground level and we cannot warrant that it is not present. On large sites or sites with inaccessible areas, again we cannot warrant that no invasive plants are present.
- 5.10 Trees may be present close to the building. The effect of trees on the structure or services of the building will depend on their size, proximity, species, maturity, weather conditions and whether the subsoil is of a shrinkable nature. We have only specifically reported where we believe the tree(s) to be a significant hazard. We recommend generally that trees are regularly pruned and pollarded to prevent them from increasing in size.

Radon

- 5.11 The property is in a part of the country where there is a low to medium likelihood of radon posing a potential risk to health. A specific test is advised if certainty is required in this regard.

6. Comparable Evidence & Market Analysis

Comparable Evidence

- 6.1 Where comparable evidence information is included in our report, this information is often based upon oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information will only be referred to where we have reason to believe its general accuracy or where it is in accordance with expectation. In addition, we have not inspected comparable properties.
- 6.2 We have carried out our usual research and enquiries and had discussions with leading local agents and analysed the existing market commentaries and data in determining our opinion as to the applicable Market Value 'MV' & Market Rent 'MR' of the subject properties. Information has also been sourced from our own internal records.
- 6.3 Secondary evidence has been drawn from properties which are on the market and have not yet legally exchanged contracts.
- 6.4 In arriving at our opinion of Market Rent & Market Value we have had reference to the comparable evidence summarised within the valuation report. We have taken into account the location, size, specification and condition of the property and have had to make adjustments to account for fluctuations within the market and other material factors. We should point out that rental levels achieved may vary depending on the term of letting, covenant strength and any services provided.
- 6.5 In the case of the leasehold interests, where the leases have less than 80 years remaining, we have attempted to access evidence of similar units with short term leases. As we have found no such transaction evidence, we have relied on our own experience of leasehold enfranchisement.

Market Commentary & Economic Overview

- 6.6 An excerpt from a recent RICS Property Market Survey is appended to our valuation report.
- 6.7 It should be noted that this supplement is included for 'general' information only and is aimed to provide the lender a glance of the overall notable market overview, comments within the report should not form the basis of any formal decision. Being a general report, the material does not necessarily represent the view of Belleveue Mortlakes in relation to specific properties or projects and no responsibility can be accepted by Belleveue Mortlakes resulting from the contents of the document.
- 6.8 Our market analysis has been undertaken using market knowledge within Belleveue Mortlakes, enquiries of other agents/property professionals, searches of property databases, the RICS, Council of Mortgage Lenders, IPD as well as other published sources/research.

7. Valuation

Methodology

- 7.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Comparative Method

- 7.2 Where indicated within our report, in determining our opinion of Market Value & Market Rent of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparables. With the benefit of such transactions we have then applied these to the property, taking into account size, location, aspect and other material factors.

Residential Blocks

- 7.3 Where a house has been converted into self-contained flats, in line with its permitted planning permission for the conversion, or we are providing a valuation of a purpose built block of flats, our aggregate Market Value of the individual flats is based on the assumption that each flat can be sold off separately subject to a long leasehold interest (125 years) at nominal ground rent with appropriate service charge provision.

Short Leasehold Interests (<80 years Unexpired)

- 7.4 A leasehold term approaching or below 80 years unexpired is considered short and the property will continue to be a depreciating asset until such time as the lease is extended.
- 7.5 We will attempt to access evidence of similar flats with short term leases, however this may not be readily available. Where there is a lack of direct comparables of this nature we will assess the Market Value of the property assuming it were to be sold with a long leasehold interest and make appropriate adjustments via published relativity graphs.

Investment Method

- 7.6 Where indicated within our report, we have valued the property by way of an Investment Approach as this is the basis upon which such properties are bought and sold. In arriving at our valuation we have had regard to the rental value of the property. We have taken into consideration investment returns determined by direct comparison with yields obtained on comparable property transactions as well as other forms of investment.
- 7.7 We have also had regard to the Direct Capital Comparison method of valuation with regard to assessing any residential accommodation, which may form part of a mixed use property.

Residual Method

- 7.8 Where indicated within our report, in determining our opinion of the Market Value (MV) of the property we have adopted the residual method of valuation taking into account the benefit of the planning permission, carrying out a valuation of the completed building and then making an allowance for the cost of construction together with fees and the cost of finance plus an allowance for developers profit. To assist with our valuation, we have utilised an industry recognised residual development valuation package which enables a full sensitivity analysis to be carried out.
- 7.9 Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by our client or their customer. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, it is recommended that we are instructed to review the advice.

Planning Irregularities

- 7.10 In instances where we have highlighted that the building does not benefit from planning permission and usual statutory regulations for its existing configuration or use, our valuation will be based on the permitted use, after making appropriate allowances/deductions for costs associated with re-instatement works.

Valuation Bases & Definitions

Market Value 7.11 Market Value is defined within RICS Valuation Standards as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Market Rent 7.12 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation Standards as:

- 7.13 “The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm’s-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”

Disposal Costs and Liabilities

- 7.14 No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges.

Building Reinstatement

- 7.15 We are not aware of the current level of building reinstatement insurance cover and therefore cannot comment upon the adequacy of same, however we would recommend that the property be insured for a minimum sum, as reported.
- 7.16 This sum allows for full reinstatement, professional fees and VAT but excludes any allowance for inflation, and should accordingly be updated on an annual basis to keep pace with rising costs.
- 7.17 Where the properties form part of a larger structure (i.e. block), the building insurance figure provided is for the subject property only and given solely as a guide as it is assumed that the building as a whole is insured under a single policy.
- 7.18 We would emphasise that the figures detailed in our report is our estimate of the cost of rebuilding the premises and bears no direct relationship to current market value. The figure given is for guidance only and does not comprise a formal fire insurance valuation of this property.
- 7.19 Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

Building Insurance

- 7.20 Our valuation assumes that the property would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

APPENDIX 4



Near-term capital value expectations move deeper into negative territory across all sectors

- 83% of respondents consider market conditions to be consistent with a downturn
- Near-term capital value expectations are now negative across all sectors
- Three-month rental outlook comparatively more resilient for industrials although office and retail rents are seen falling

The Q4 2022 RICS UK Commercial Property Survey results are symptomatic of a further deterioration in overall market conditions during the quarter. Indeed, at the national level, 83% of respondents are now of the opinion that the market is in the downturn phase of the cycle, up slightly from 81% taking this view last time. The largest share (49%) still consider this downturn to be in the early stages, although there was an increase from 20% to 34% in the share of survey participants sensing we have reached the midpoint of the contractionary phase. That said, only 9% feel the market has bottomed out in this current cycle, up marginally from 4% last time.

Starting with the occupier market, the all-sector net balance for tenant demand slipped to -20% in Q4. This is down from a figure of -10% previously and marks the softest reading since the end of 2020. Looking at the sector breakdown, a noteworthy fall in occupier demand was cited across offices (net balance -29%) and retail premises (-45%), with both metrics falling deeper into negative territory over the quarter. Meanwhile, tenant demand remained marginally positive for the industrial sector (net balance +6%), albeit this represents a significant softening compared to the strong growth being report during H1.

Alongside this, the availability of leasable space continued to increase across the office and retail sectors, but fell slightly for industrials. At the same time, the value of incentive packages on offer to tenants increased in each sector, although the rise was much more modest for industrials. Nevertheless, near-term rental expectations remain modestly positive within the industrial sector, even if the latest net balance of +19% is the least elevated since Q3 2020. By way of contrast, rental expectations remain in negative territory for both the office and retail sectors, returning net balances of -24% and -47% respectively in Q4 (unchanged from the Q3 survey results).

On a twelve-month view, prime office rental expectations remain marginally positive (net balance +10%), although the outlook seemingly worsened for secondary office rents as the net balance fell from -42% to -52%. On the same basis, prime and secondary retail rents are both envisaged to fall, with the latter posting a particularly downbeat Q4 net balance of -62%. Conversely, respondents' still foresee rents rising across prime and secondary industrial sectors over the year ahead, even if the latest net balances of +40% and +6% have been scaled back relative to last quarter.

In terms of the regional results, the feedback across London points to slightly stronger rental growth prospects for prime

offices compared to the national average (net balance +19% vs +10%). Meanwhile, for the South of England, prime office rents exhibit flat expectations, posting a net balance of zero. For secondary industrial rents, respondents across the Midlands and the North of the country still anticipate reasonably solid growth over the next twelve months. At the other end of the scale, secondary industrial rental projections are flat to marginally negative within London and the South of England.

Turning to the investment market, buyer enquiries reportedly fell at the headline level, evidenced by a net balance of -30% of respondents citing a decline in investment demand. Moreover, investor enquiries fell across all sectors covered for the first time since the early stages of the pandemic. Likewise, overseas investment demand was also down within each sector compared with the previous quarter.

It appears that recent interest rate rises are now having a significant impact on capital values, with near-term expectations falling sharply across all sectors. For the industrial sector, the Q4 net balance reading of -18% marks the weakest figure for this metric going back to 2011. Similarly, capital value expectations fell across the office and retail sectors, posting net balances of -54% and -65% in Q4. Looking out over the next twelve months, capital value projections are now in negative territory (to a greater or lesser degree) across all three mainstream sectors (both prime and secondary markets). What's more, all parts of the UK now display negative all-property average capital value expectations for the year to come.

Bucking the broader trend somewhat, a few alternative sectors such as aged care facilities, student housing and data centres still returned marginally positive capital value expectations, although these have been pared back noticeably in each instance during Q4. For multifamily residential, the net balance of respondents expecting a rise/fall in capital values slipped to zero, from +21% beforehand. Alongside this, the twelve-month outlook for hotel capital values deteriorated further, with the net balance falling to -26% from -18% previously.

Playing a significant part in the pull-back across many investment market indicators during Q4, credit conditions were reported to have worsened by a net balance of -73% of contributors (down from -68% last time). As such, this denotes a fresh record low for the series (first introduced in 2014), with higher interest rates singled out by many contributors as ushering in a period of adjustment in market valuations.

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